Government of Saskatchewan

Annual Report 2002 - 2003

Saskatchewan
Justice

Public Guardian and Trustee
of Saskatchewan

103-06593/

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Letter of Transmittal

July 2003

Her Honour
The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the pleasure to transmit to your Honour the Annual Report of the Public Guardian and Trustee of Saskatchewan for the year ending March 31, 2003.

I am pleased to report that the financial statements for the above fiscal year have now been finalized and audited.

The staff of the public guardian and trustee are to be commended for their hard work and commitment to their clients.

Respectfully submitted,

The Honourable Eric Cline, Q.C.
Minister of Justice and Attorney General

Letter of Transmittal

July 2003

The Honourable Eric Cline, Q.C.
Minister of Justice and Attorney General

Dear Sir:

I have the pleasure to submit for your consideration the Annual Report of the Public Guardian and Trustee of Saskatchewan for the year ending March 31, 2003.

The Office has made major progress in a number of areas. I refer you to the goals and the accomplished results reported in this report.

Respectfully submitted,

Ronald J. Kruzeniski, Q.C.
Public Guardian & Trustee

Mandate of the Public Guardian and Trustee

The mandate of the Office is to protect vulnerable persons. The primary functions of the Office are:

- administering the property and finances of adults who are incapable of managing their financial affairs;
- protecting property rights of children under 18;
- administering the affairs of deceased persons; and
- holding and administering unclaimed property.

2002-2003 Objectives

- Take a leadership role in reviewing *The Escheats Act, (Unclaimed Assets Act)* and consider expanding its provision to the concept of an *Unclaimed Property Act.*

- Propose, promote and participate in the development of a *Personal Directives Act.*

- Complete the development and implementation of Guardian Version 5.0.

- Introduce a Government on-line (GOL) project to provide authorized clients or client representatives' Internet access to their financial information.

- Propose a program for the investigation of financial abuse for implementation when financial resources permit.

- Propose a program for personal guardianship for implementation when financial resources permit.

- Implement the provisions of *The Public Trustee Amendment Act, 2001.*

- Implement the new *Powers of Attorney Act* as it affects the public guardian and trustee.

2002-2003 Information

As of March 31, 2003, the public guardian and trustee provided services to:

Adults	1,392
Adults where the Office may monitor	1,306
Children for whom we hold funds	2,255
Children whose property rights we monitor	1,688
Estates of deceased persons	688
Total	7,312

- As of March 31, 2003, the Office held assets in trust for clients in the amount of approximately $123 million.
- The annualized rate of return realized for clients with money in the common fund was:
  - for the six months ended September 30, 2002, an annualized average rate of 4.31% per cent.
  - for the six months ended March 31, 2003 an annualized average rate of 3.61% per cent.

    The 5-year average rate of return is 10.45 per cent.
    The 10-year average rate of return is 10.67 per cent.

2002-2003 Activities and Results

- It was determined it was not necessary to amend *The Escheats Act* and by an Order In Council the public guardian and trustee was authorized to hold money for persons whose whereabouts is unknown. The demographics of this province and the fact that we live longer would suggest that there may be more and more funds held by institutions and individuals which cannot be paid because the location or existence of the person is unknown. Over time this will be an increasing pressure on the Office.

- Work has begun in the spring of 2003 to develop a *Personal Powers of Attorney Act*. *The Powers of Attorney Act* deals with financial matters. *The Personal Powers of Attorney Act* would allow individuals to name someone to look after their personal, residential and medical matters when they became incapable of doing it themselves. It is hoped that the committee working on this Act would have legislation before the Legislative Assembly in the spring of 2004.

- The office's computer system (Guardian) version 5.0 and 5.1 were implemented and provided improved functionality. Except for some work needed in the spring and summer of 2003, the Guardian system has reached a position where less work will have to be done in the future.

- Guardian Online was developed and tested with plans for implementation for staff in the spring of 2003, and later implementation for authorized clients or client representatives. This will allow parents of children, beneficiaries of estates, personal guardians and service providers to view information. Because this is confidential information there are several levels of security and authorized users will be required to obtain a "user identification" and a "password" to obtain access. The privacy provisions of *The Freedom of Information and Protection of Privacy Act* have to be respected.

- A program of investigation of financial abuse has been proposed but no financial resources have been allocated.

- A program of personal guardianship has been proposed but no financial resources have been allocated.

- The provisions of *The Public Guardian and Trustee Act, 2001*, were proclaimed May 17th 2002 (except for sections 18 and 19, which deal with personal guardianship and investigation of financial abuse). The proclaimed provisions have been implemented and incorporated into the Office's practices and procedures.

- *The Powers of Attorney Act* and Regulations were made effective April 1, 2003, and provisions of that Act that impact the public guardian and trustee will be implemented in 2003. Information regarding this Act is on the Office's web site.

2003-2004 Objectives

- Propose implementation of a program of public personal guardianship for April 1, 2004, and request resources to fund the program and proclamation of section 18 of *The Public Trustee Amendment Act, 2001.*

- Obtain the resources to fund a program of investigation of financial abuse of vulnerable persons and proclamation of section 19 of *The Public Trustee Amendment Act, 2001.*

- Propose and promote amendments to *The Children's Law Act* regarding guardianship of children, which Act it is hoped will be introduced in the spring of 2004.

- Implement *The Powers of Attorney* Act and Regulations as it pertains to the public guardian and trustee.

- Participate in a review of *The Trustee Act.*

- Participate in a process to update *The Administration of Estates Act* and consolidate *The Crown Administration of Estates Act*, *The Devolution of Real Property Act* and *The Absentee Act* and it is hoped that legislation would be before the Legislative Assembly in the spring of 2004.

- Propose, promote and participate in the development of *The Personal Powers of Attorney Act,* which Act it is hoped will be before the Legislative Assembly in the spring of 2004.

Acknowledgment

The public guardian and trustee acknowledges and thanks the many staff members who have continued to provide courteous, effective and efficient service to clients. Without their expertise and commitment we would not have been able to attain our many goals for the 2002-2003 fiscal year.

Financial Statements

The financial statements on the following pages provide an account of the financial activities of the Public Guardian and Trustee of Saskatchewan for the year ended March 31, 2003.

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN

FINANCIAL STATEMENTS

For the Year Ended March 31, 2003

Provincial Auditor Saskatchewan

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Regina, Saskatchewan
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SASKATCHEWAN

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Public Guardian and Trustee of Saskatchewan as at March 31, 2003 and the statements of common fund undistributed earnings and changes in trust funds for the year then ended. The Public Guardian and Trustee's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Public Guardian and Trustee as at March 31, 2003 and the results of its operations and the changes in its trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Wendel, CMA, CA
Provincial Auditor

Regina, Saskatchewan
June 5, 2003

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN
ESTATES AND TRUSTS UNDER ADMINISTRATION
BALANCE SHEET
MARCH 31, Statement 1

	2003	2002
ASSETS		
Cash and Due from General Revenue Fund (Note 5)	$ 3,189,645	$ 1,476,993
Accrued Interest Receivable	860,622	1,028,461
Common Fund Securities (Schedule 1 & Note 4)	103,827,532	118,960,303
Individual Trust Assets (Schedule 2)	16,620,371	21,636,328
TOTAL ASSETS	$ 124,498,170	$ 143,102,085
LIABILITIES		
Accounts Payable (Note 6)	$ 2,336,377	$ 2,123,349
Mortgages and Loans Payable	255,548	265,779
	2,591,925	2,389,128
Trust Equity		
Trust Equity	130,105,650	138,534,531
Undistributed (Losses) / Earnings (Statement 2)	(8,199,405)	2,178,426
	121,906,245	140,712,957
TOTAL LIABILITIES AND TRUST EQUITY	$ 124,498,170	$ 143,102,085

(See Accompanying Notes to the Financial Statements)

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN
ESTATES AND TRUSTS UNDER ADMINISTRATION
STATEMENT OF COMMON FUND UNDISTRIBUTED EARNINGS
MARCH 31, Statement 2

	2003	2002
REVENUE		
Interest and Dividend Income	$ 4,253,667	$ 5,138,639
Realized Gains, (Losses) and Change in Market Value (Note 3)	(10,951,113)	(188,046)
	(6,697,446)	4,950,593
Less: Management Fees	(221,124)	(216,302)
(Losses) / Earnings Available for Distribution	(6,918,570)	4,734,291
Distributed Earnings		
Interest and Dividends	(3,497,091)	(4,996,548)
Realized and Unrealized Capital Losses / (Gains)	37,830	(3,363,008)
Undistributed Earnings Previous Year	2,178,426	5,803,691
UNDISTRIBUTED (LOSSES) / EARNINGS, END OF YEAR	$ (8,199,405)	$ 2,178,426

(See Accompanying Notes to the Financial Statements)

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN
ESTATES AND TRUSTS UNDER ADMINISTRATION
STATEMENT OF CHANGES IN TRUST FUNDS
MARCH 31, Statement 3

	2003	2002
Trust Funds Acquired		
Cash	$ 6,055,740	$ 6,043,673
Net Change in Individual Trust Assets	-	6,272,563
Revenue Earned on Behalf of Trusts		
Common Fund (Losses) / Earnings Available for Distribution	(6,918,570)	4,734,291
Individual	1,260,226	952,152
Pension Benefits	14,664,343	14,283,906
Property Rentals	241,164	393,832
Miscellaneous	7,858,463	5,118,276
Total Trust Funds Acquired	23,161,366	37,798,693
Trust Funds Expended		
Cash	10,286,812	9,884,010
Net Change in Individual Trust Assets	2,616,234	-
Payments Made on Behalf of Clients		
Maintenance and Other Expenses	26,602,149	27,757,621
Administrative Fees	2,462,883	2,383,853
Total Trust Funds Expended	41,968,078	40,025,484
(Decrease) in Trust Funds	(18,806,712)	(2,226,791)
Balance, Beginning of Year	140,712,957	142,939,748
TRUST FUNDS, END OF YEAR	$ 121,906,245	$ 140,712,957

(See Accompanying Notes to the Financial Statements)

1. Authority and Purpose

Effective April 1, 1984 the Office of the Public Trustee for Saskatchewan was established pursuant to *The Public Trustee Act* and continued under *The Public Guardian and Trustee Act*. *The Public Trustee Act* was repealed and *The Public Guardian and Trustee Act* proclaimed effective May 17, 2002.

Section 3(1) of *The Public Guardian and Trustee Act* states:

> The Public Trustee is continued as a corporation sole under the name of the Public Guardian and Trustee of Saskatchewan.

Section 3(3) of *The Public Guardian and Trustee Act* states:

> The public trustee is the successor in office to:
> (a) the Official Guardian appointed pursuant to *The Infants Act*; and
> (b) the Administrator of Estates appointed pursuant to *The Administration of Estates of the Mentally Disordered Persons Act*

In addition, effective November 12, 1992, the Public Trustee became the official administrator for each judicial centre pursuant to *The Queen's Bench Act*.

The purpose of the office is to protect vulnerable persons with the primary functions being:

a) Administering the property and finances of adults who are mentally incompetent;
b) Protecting property rights of children under the age of eighteen;
c) Administering the affairs of deceased persons; and
d) Holding property for persons whose whereabouts are unknown.

2. Scope of the Financial Statements

These financial statements reflect the assets and liabilities of estates and trusts under the administration of the public guardian and trustee. In addition, these financial statements reflect the annual changes in those assets and liabilities including:

a) revenue earned on behalf of clients;
b) income entitlements received on behalf of clients;
c) new client account additions;
d) released client withdrawals;
e) payment of client assets to estates;
f) maintenance and other payments made on behalf of clients; and

g) administration fees payable to the public guardian and trustee.

The operations of the Office of the public guardian and trustee are included in the annual report of the Department of Justice.

3. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. Preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions in determining the reported amounts for assets and liabilities. Actual results could differ from management's best estimates as additional information becomes available. The following policies are considered significant.

Common Fund Securities and Income Recognition

Pursuant to Section 47(1) of *The Public Guardian and Trustee Act*

The public guardian and trustee shall:
(a) place money received by the public guardian and trustee pursuant to this Act, any other Act or court order in a common fund; and
(b) subject to the approval of the Investment Board, invest in the name of the public guardian and trustee that part of the common fund which in the public guardian and trustee's opinion is not immediately required for persons for whom the public guardian and trustee holds funds.

Common fund securities, primarily bonds, debentures and shares are stated at market value. Market value is determined with reference to closing year end sale prices from recognized security dealers. In the absence of recorded sales, market value is determined by reference to closing year end bid and ask prices.

Short term investments are stated at cost which approximates market value.

Income earned on common fund securities is recorded using the accrual basis of accounting with amounts earned in the fiscal year but not received prior to the year end reflected as accrued interest receivable.

Individual Trust Securities

Individual trust securities, primarily term deposits, bonds and RRSP accounts are initially stated at par value at the date the public guardian and trustee assumes control of the securities. For financial statement purposes, these securities are adjusted to the market value annually using the most recent valuation information available prior to March 31. Adjustments between the most recent available information and March 31 of

each year for a particular client are likely minimal and would effect the value of the asset and the trust liability equally.

Shares are initially recorded at the market value at the time the public guardian and trustee assumes responsibility for control of the investment. Subsequent increases or decreases in the market value are reflected in the trust accounts annually. Where a market value for a share is not readily available, the shares are recorded for accountability purposes at a nominal value of $1.

Other Assets

Other assets consist of commodities, real estate, personal property, life insurance policies, pension plans and annuity contracts and are stated at the following values:

a) **Commodities** are stated at market value which is determined annually with reference to the estimated final delivery price for the particular commodity.
b) **Real estate,** including real estate holdings for infants where the public guardian and trustee is appointed property guardian, are initially recorded at appraised value at the date the public guardian and trustee assumes control of the asset or at cost if the real estate is purchased on behalf of clients by the public guardian and trustee. Real estate values are adjusted to appraised value from time to time. If no valuation information is available, these assets are recorded at a nominal value of $1.
c) **Miscellaneous Personal Property** is stated at amounts determined from information available to the public guardian and trustee at the date the public guardian and trustee assumes control of the assets. Subsequent adjustments are made if additional valuation information is received. If no valuation is available, these assets are recorded at a nominal value of $1.
d) **Life Insurance Policies** that carry a cash surrender value are stated at the cash surrender value as determined with reference to the most recent valuation information available prior to March 31. Policies that do not carry a cash surrender value are stated at a nominal value of $1.
e) **Pension Plans and Annuity Contracts** are stated at residual value as determined with reference to the most recent evaluation information available prior to March 31 of each year. Pension plans and annuity contracts with no residual value are stated at a nominal value of $1.

Accounts, Mortgages and Loans Payable

Accounts, mortgages and loans payable represent encumbrances of client assets that are payable to independent third parties. These client obligations are settled as client resources become available. In some cases, a client's liabilities exceed the stated value of their assets. These items are included as accounts payable and are paid as the resources of the client become available to do so.

Administration Fees

Pursuant to the provisions of *The Public Guardian and Trustee Regulations*, the public guardian and trustee may charge a fee for services performed in the management of client accounts. Such fees charged are payable to the General Revenue Fund of the Province of Saskatchewan.

4. Common Fund Securities

Common Fund Securities are invested through a single "common" fund to ensure consistency of return among clients. The investment objectives of the common fund are to achieve at least market returns with prudent risk diversification, with the potential for enhanced returns through active investment management for a majority of the portfolio. The public guardian and trustee recognizes that there are diverse time horizons for their clients and that capital preservation is of primary concern. The employed investment objectives include a multiple asset, total return approach which values all types of investment income equally, a moderate income requirement to supplement other liquidity sources, a requirement for stability and maximization of return and a degree of inflation protection and capital appreciation.

The public guardian and trustee recognizes that, by their nature, investments carry with them certain risks. The investment policy employed by the public guardian and trustee is designed to mitigate these risks as much as possible by placing restrictions on the overall content and quality of the permitted investments. The following describes the risks associated with the investment portfolio, managed through an investment manager, by the public guardian and trustee.

Price Risk

Price risk refers to the potential that the value of investments will fluctuate as a result of foreign currency, interest rate and general market changes.

The value of the common fund investments will fluctuate with changes in foreign currency, interest rate and general market changes. To mitigate these risks the public guardian and trustee works with an investment manager that actively manages asset class allocations through a balanced fund approach. The employed investment policy limits foreign currency exposure by permitting a maximum of 40% foreign investment with a stated benchmark of 26% foreign investment. The policy also limits market risk by permitting a maximum of 50% equity investment, including foreign equities with a benchmark of 40% equity investment. The public guardian and trustee manages interest rate risk by limiting the quantity and quality of interest rate sensitive investments to a maximum of 100% of the portfolio with a benchmark of 60% fixed income securities. Market risk is managed by taking a conservative prudent approach to investment.

Credit and Liquidity Risk

Credit and liquidity risk arises from the potential for an investee to fail or for an issuer to default on its obligations to the Common Fund. The public guardian and trustee mitigates this risk by limiting the quantity and quality of the permitted investments to high quality, highly rated equity investments and highly rated fixed income securities.

5. Due from the General Revenue Fund

The public guardian and trustee's operating bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. Interest earned on the balance attributed to the public guardian and trustee is calculated and paid quarterly into the public guardian and trustee's operating account using the Government's thirty day borrowing rate and the public guardian and trustee's average daily bank account balance. The Government's average thirty day borrowing rate for 2003 is 2.62% (2002 – 3.58%).

6. Accounts Payable

Accounts payable consist of the following balances:

	2003	2002
Accounts Payable to Third Parties	$ 870,832	$ 820,803
Administration Fees Payable to the Public Guardian and Trustee	1,465,545	1,302,546
	$ 2,336,377	$ 2,123,349

7. Common Fund Earnings Distributions

Common fund investments generate interest, dividend, realized and unrealized capital gains/(losses) income. Pursuant to Section 5, 6 and 7 of *The Public Guardian and Trustee Regulations*, interest, dividends and gains/losses income earned on the Common Fund investments are distributed to client trust accounts quarterly. Section 5 and 6 outline how interest and dividends shall be calculated. Section 7 allows the public guardian and trustee to set the amount of capital gains (losses) to be distributed.

Accordingly, the public guardian and trustee, has set the amount of distributable interest, dividends and capital gains (losses) for the quarter ended March 31, 2003, in the amounts as follows: interest $799,736, dividends $66,641, foreign dividends

$36,735 and capital loss $860,000. As the investment accounts are stated at market value, these income and loss amounts are included in the financial statements as part of the investment value and the undistributed client equity. These income and loss amounts were distributed to the client equity accounts in April, 2003.

8. Related Party Transactions

Administration

In accordance with Section 53 of *The Public Guardian and Trustee Act*, all general administrative and employee costs required for the administration of the Office of the public guardian and trustee are paid out of the General Revenue Fund of the Province of Saskatchewan.

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN
ESTATES AND TRUSTS UNDER ADMINISTRATION
SCHEDULE OF COMMON FUND SECURITIES
MARCH 31,

SCHEDULE 1

	2003	% of Portfolio	2002	% of Portfolio
Bonds and Debentures				
Government of Canada	$ 29,605,873	28.51%	$ 37,330,037	31.38%
Province of Saskatchewan	1,419,726	1.37%	1,407,327	1.18%
Other Provinces	12,904,677	12.43%	12,652,113	10.64%
Corporations	15,035,585	14.48%	16,662,874	14.01%
Total Bonds and Debentures*	58,965,861		68,052,351	
Greystone EAFE Pooled Equity Fund	11,205,439	10.79%	13,064,967	10.98%
Other Equities				
Canadian	14,114,732	13.59%	17,378,024	14.61%
Foreign	12,539,638	12.08%	16,305,150	13.70%
Short Term Investments*	7,001,862	6.74%	4,159,811	3.50%
TOTAL COMMON FUND SECURITIES	$ 103,827,532		$ 118,960,303	

* All investments held are Canadian

Total Canadian Investments	$ 80,082,455	77.13%	$ 89,590,186	75.32%
Total Foreign Investments	23,745,077	22.87%	29,370,117	24.68%
TOTAL COMMON FUND SECURITIES	$ 103,827,532		$ 118,960,303	

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN
ESTATES AND TRUSTS UNDER ADMINISTRATION
SCHEDULE OF INDIVIDUAL TRUST ASSETS
MARCH 31,

SCHEDULE 2

	2003	2002
Accounts Receivables and Insurance	$ 2,903,169	$ 2,268,805
Commodities	101,791	143,352
Individual Investments	4,471,776	8,970,823
Personal Property	1,966,377	2,054,815
Real Estate	7,177,258	8,198,533
Total Individual Trust Assets	$ 16,620,371	$ 21,636,328